



JOHN NAIMO  
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

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August 6, 2015

TO: Supervisor Michael D. Antonovich, Mayor  
Supervisor Hilda L. Solis  
Supervisor Mark Ridley-Thomas  
Supervisor Sheila Kuehl  
Supervisor Don Knabe

FROM: John Naimo   
Auditor-Controller

SUBJECT: **JWCH INSTITUTE, INC. – A DEPARTMENT OF PUBLIC HEALTH,  
DIVISION OF HIV AND STD PROGRAMS PROVIDER – CONTRACT  
COMPLIANCE REVIEW**

We completed a contract compliance review of JWCH Institute, Inc. (JWCH or Agency), which included a sample of transactions from Contract Years (CYs) 2013 and 2014. The Department of Public Health, Division of HIV and STD Programs (DHSP) contracts with JWCH to provide HIV/AIDS transitional case management, oral health care, medical outpatient, health education, risk reduction outreach, and testing prevention services.

The purpose of our review was to determine whether JWCH provided the services outlined in their County contracts and appropriately spent DHSP Program funds. We also evaluated the adequacy of the Agency's financial records, internal controls, and compliance with their contracts and other applicable guidelines.

During CYs 2013 and 2014, DHSP had six cost-reimbursement contracts and one fee-for-service contract with JWCH, and paid JWCH approximately \$1 million. JWCH provides services to clients residing in the First and Fourth Supervisorial Districts.

**Results of Review**

JWCH maintained personnel files as required and properly recorded revenue in their financial records. However, JWCH billed DHSP \$67,336 in questioned costs. For example, JWCH:

- Billed DHSP \$48,295 for unpaid subcontractor expenditures from March through May 2014 on a cost-reimbursement contract. Subsequent to our review, JWCH provided cancelled checks, issued in August 2014, to support the \$48,295 in subcontractor expenditures.
- Billed DHSP \$15,038 for services provided to non-DHSP and insured clients from March 2013 to January 2014.

*JWCH's attached response indicates that they will repay DHSP \$12,215 of the \$15,038 in questioned billings. However, the documentation the Agency submitted to support the remaining \$2,823 (\$15,038 - \$12,215) did not adequately support the expenditures.*

- Billed DHSP \$2,807 for a vehicle's registration and insurance related to one vehicle that did not benefit the DHSP Program.

*JWCH's attached response indicates that they will repay DHSP \$2,807.*

- Did not provide adequate documentation to support the percentages used to allocate \$1,196 in shared expenditures.

*JWCH's attached response indicates that they will repay DHSP \$1,116 of the \$1,196 in unsupported expenditures. However, the Agency did not provide additional documentation to support the remaining \$80 (\$1,196 - \$1,116).*

In addition, JWCH did not always comply with their County contract requirements. For example, JWCH did not:

- Conduct the recertification process at least once every six months to ensure that clients' residency, income, and insurance statuses continue to meet the eligibility requirements as required by their County contracts.

*JWCH's attached response indicates that they have remedied the recertification process by retraining their staff.*

- Obtain approval from DHSP for their client fee schedule and did not always assess clients' ability to pay as required.

*JWCH's attached response indicates that they have submitted their sliding fee schedule to DHSP for approval and have instructed staff to assess clients' ability to pay.*

Details of our review, along with recommendations for corrective action, are attached.

**Review of Report**

We discussed our report with JWCH and DHSP. JWCH's attached response (Attachment II) indicates that they generally concurred with our findings and recommendations. DHSP will work with JWCH to ensure our recommendations are implemented. Due to the confidential nature of the documents provided by JWCH, we did not include the attachments referenced in their response.

We thank JWCH management and staff for their cooperation and assistance during our review. If you have any questions please call me, or your staff may contact Don Chadwick at (213) 253-0301.

JN:AB:DC:EB:yp

**Attachments**

c: Sachi A. Hamai, Interim Chief Executive Officer  
Cynthia A. Harding, M.P.H., Interim Director, Department of Public Health  
Robert E. Morris, M.D., Board Chairperson, JWCH Institute, Inc.  
Al Ballesteros, Chief Executive Officer, JWCH Institute, Inc.  
Public Information Office  
Audit Committee

**JWCH INSTITUTE, INC.  
DIVISION OF HIV AND STD PROGRAMS  
CONTRACT COMPLIANCE REVIEW  
CONTRACT YEARS 2013 AND 2014**

**ELIGIBILITY**

**Objective**

Determine whether JWCH Institute, Inc. (JWCH or Agency) provided services to individuals who met the Department of Public Health, Division of HIV and STD Programs (DHSP), Ryan White Comprehensive AIDS Resources Emergency Act (Ryan White) eligibility requirements.

**Verification**

We reviewed the case files for 29 (3%) of the 891 clients who received services from March 2013 through January 2014 for documentation to confirm their eligibility for DHSP services.

**Results**

JWCH maintained documentation in the case files to support the eligibility for the 29 clients reviewed. However, JWCH did not always comply with other County contract requirements. Specifically, JWCH:

- Did not conduct Third Party Payer assessments for two (7%) of the 29 clients as required by Health Resources and Services Administration (HRSA) HIV/AIDS Bureau (HAB) Policy Clarification Notice (PCN) #13-02 and did not assist four (14%) of the 29 clients to apply for public benefits as required by their County contracts.
- Did not conduct the recertification process at least once every six months to ensure that clients' residency, income, and insurance statuses continue to meet the eligibility requirements. Specifically, JWCH did not reassess income for seven (24%) of the 29 clients and residency for five (17%) of the 29 clients once every six months as required.
- Did not obtain approval from DHSP for their client fee schedule and did not assess client fees for 14 (48%) of the 29 clients based on their ability to pay as required by the Additional Provisions of their County contracts. We noted a similar finding in our prior year's monitoring review.

**Recommendations****JWCH Institute, Inc. management:**

1. **Ensure clients are assessed for Third Party Payer as required.**
2. **Ensure clients receive assistance in applying for public benefits.**
3. **Ensure clients' eligibility is reassessed once every six months as required.**
4. **Obtain the Division of HIV and STD Programs' approval for the client fee schedule and collect fees from clients for services based on their ability to pay as required.**

**PROGRAM SERVICES****Objective**

Determine whether JWCH maintained documentation to support the services required by their County contract and DHSP guidelines, clients received the billed services, and the Agency collected fees from eligible clients in accordance with their County contract.

**Verification**

We visited two JWCH service sites, and reviewed billings and documentation for 48 (5%) of the 891 clients who received services from March 2013 through January 2014. We also determined whether the Agency collected fees from eligible clients in accordance with their County contract.

**Results**

JWCH maintained documentation to support the billings reviewed. However, JWCH inappropriately billed DHSP for non-DHSP and insured clients. Specifically, JWCH billed DHSP \$17,679 for services provided to one non-DHSP and 16 insured clients. Subsequent to our review, JWCH provided additional documentation to support \$2,641 of the \$17,679 in questioned costs, resulting in remaining questioned costs of \$15,038 (\$17,679 - \$2,641).

**Recommendations****JWCH Institute, Inc. management:**

5. **Repay the Division of HIV and STD Programs \$15,038 for billed services provided to non-Division of HIV and STD Programs and insured clients.**

6. **Ensure only expenditures for the Division of HIV and STD Programs clients are billed to the Division of HIV and STD Programs.**

### **CASH/REVENUE**

#### **Objective**

Determine whether JWCH properly recorded revenue in their financial records, deposited cash receipts into their bank accounts timely, and that bank account reconciliations were reviewed and approved by Agency management timely.

#### **Verification**

We interviewed JWCH's management, and reviewed their financial records and May 2014 bank reconciliations for three bank accounts.

#### **Results**

JWCH properly recorded revenue in their financial records, deposited DHSP cash receipts timely, and their May 2014 bank reconciliations were reviewed and approved by Agency management timely.

#### **Recommendation**

**None.**

### **COST ALLOCATION PLAN/EXPENDITURES**

#### **Objective**

Determine whether JWCH's Cost Allocation Plan (Plan) complied with their County contracts, and if expenditures charged to DHSP were allowable, properly documented, and accurately billed.

#### **Verification**

We reviewed the Agency's Plan and their financial records for 31 non-payroll expenditures, totaling \$27,477, that the Agency charged to DHSP from January 2013 to March 2014. Based on our initial test work, we expanded our review to include expenditures from April and May 2014. We also interviewed Agency personnel.

#### **Results**

JWCH's Plan included the appropriate methodologies to allocate shared program expenditures and overhead. However, JWCH did not always provide documentation to support the allocation percentages used. Specifically, JWCH did not provide adequate

documentation to support the percentages used to allocate \$2,764 in shared expenditures. Subsequent to our review, JWCH provided additional documentation to support \$1,568 of the \$2,764 in questioned costs, resulting in remaining questioned costs of \$1,196 (\$2,764 - \$1,568).

In addition, JWCH billed DHSP \$51,102 in undocumented or unallowable direct program expenditures. Specifically, JWCH:

- Billed DHSP \$48,295 for unpaid subcontractor expenditures from March through May 2014 on a cost-reimbursement contract. Subsequent to our review, JWCH provided cancelled checks, issued in August 2014, to support the \$48,295 in subcontractor expenditures.
- Billed DHSP \$2,807 for a vehicle's registration and insurance related to one vehicle that did not benefit the DHSP Program.

### **Recommendations**

#### **JWCH Institute, Inc. management:**

7. **Repay the Division of HIV and STD Programs \$2,807 for unallowable expenditures.**
8. **Repay the Division of HIV and STD Programs \$1,196 or provide supporting documentation to support the expenditures.**
9. **Ensure only paid and allowable expenditures are billed to the Division of HIV and STD Programs.**
10. **Maintain adequate documentation to support expenditures.**

### **PAYROLL AND PERSONNEL**

#### **Objective**

Determine whether JWCH appropriately charged payroll costs to DHSP and maintained personnel files as required.

#### **Verification**

We compared the payroll costs for 12 employees, totaling \$22,877 for March 2014, to the Agency's payroll records and time reports. We also interviewed staff and reviewed personnel files for the same 12 employees.

**Results**

JWCH maintained personnel files as required. However, JWCH billed DHSP \$537 in penalties. Specifically, JWCH employees did not clock out for lunch after working for more than five hours resulting in penalties of one additional hour's pay to its employees as required by Labor Code Section 226.7. According to Office of Management and Budget Circular A-122, Paragraph 16, penalties are not an allowable cost.

**Recommendations**

**Refer to Recommendation 9.**

- 11. JWCH Institute, Inc. management repay the Division of HIV and STD Programs \$537 for unallowable expenditures.**

**COST REPORTS****Objective**

Determine whether JWCH's Contract Years (CY) 2013 and 2014 Cost Reports reconciled to their financial records.

**Verification**

We compared the Agency's CYs 2013 and 2014 Cost Reports to their financial records.

**Results**

JWCH's CY 2013 Cost Report did not reconcile to their financial records. Specifically, the Agency's financial records for the Ambulatory/Outpatient Medical contract did not support \$364 reported in their Cost Report, resulting in an overbilling. The Agency's CY 2014 Cost Report reconciled to their financial records.

**Recommendations**

**JWCH Institute, Inc. management:**

- 12. Repay the Division of HIV and STD Programs \$364.**
- 13. Ensure Cost Reports are accurate and supported by their financial records.**





May 15, 2015

John Naimo  
Auditor-Controller  
County of Los Angeles Department of Auditor-Controller  
Kenneth Hahn Hall of Administration  
500 West Temple Street, Room 525  
Los Angeles, CA 90012-3873

Dear Mr. Naimo:

This is in response to the draft contract compliance review conducted of JWCH, which includes contracts with the Department of Public Health Division of HIV and STD Programs (DHSP), contract years 2013 and 2014. The contract review included HIV/AIDS transitional case management, oral health care, medical outpatient, health education risk reduction, and HIV testing services.

Attached, please find the result of our review, supporting documentation relevant to disputed findings, verification information for uninsured patients and corrective actions taken where appropriate.

We appreciate your team working with us to improve our operations. Should you have any questions or require additional information, please do not hesitate to call me at (213) 484-1186 x3009.

Sincerely,

*Al Ballesteros*

Al Ballesteros  
Chief Executive Officer

**JWCH Institute Inc.**  
**Response to Contract Compliance Review**  
**Contract years: 2013 and 2014**

**ELIGIBILITY/ PROGRAM SERVICES**

- **FINDING:** Did not conduct Third Party Payer assessment for two (7%) of 29 clients as required by Health Resources and Services Administration (HRSA) HIV/AIDS Bureau (HAB) Policy Clarification Notice (PCN) #13-02 and did not assist four (14%) of 29 clients to apply for public benefits as required by their County contract.

Response: JWCH staff could not locate Third Party Payer assessment documentation for one patient. JWCH attempted to complete Third Party Payer assessment with one patient; however the patient only presented for one medical visit and did not return with the requested documentation. JWCH staff could not locate the patient in subsequent attempts. Staff have since been retrained to document all attempts to locate in EHR and CaseWatch.

JWCH benefits counselor made every attempt to provide assistance to the above referenced four patients, however, one patient was verified as Medi-Cal eligible, one patient only presented once, and the third and fourth patients' benefits eligibility was conducted on the third visit due to their attempt to apply for emergency Medi-Cal prior to coming to JWCH. Staff were unable to verify patient's Medi-Cal eligibility at the time of their medical visit.

- **FINDING:** Did not conduct the recertification process at least once every six months to ensure that clients' residency, income, and insurance statuses continue to meet the eligibility requirements. Specifically, JWCH did not reassess income for seven (24%) of 29 clients and LA County residency for five (17%) of 29 clients once every 6 months as required.

Response: JWCH staff did not conduct the recertification process at least once every six months due to low staff capacity and training. JWCH has remedied this by retraining existing staff and training additional front office staff on April 23-24, 2015.

- **FINDING:** Billed DHSP \$16,689 for services provided to 16 insured clients from March 2013 to January 2014 and \$990 for services provided from June 2013 to August 2013 to a non-DHSP client.

Response: JWCH conducted a thorough review of the 16 patients categorized as insured and identified documentation disputing some results of the finding as follows: Two patients were identified as not eligible for insurance. (See ADAP enrollment application and verification, **Attachment A**). The ADAP documentation for could not be located, however Ramsell Corp., the ADAP TPA, confirmed the patient was enrolled in ADAP in 2013 and was approved for Medi-Cal on February 17, 2014. Patient record has included a social security number due to a temporary employment Visa. Patient relocated in early 2014; the last medical visit at JWCH was on 11/25/13 and was therefore still a Ryan White eligible patient when services were rendered.

The following three patients were verified as uninsured during their dates of encounter. Though they were approved for Medi-Cal after the dates of service at JWCH, the attached Medi-Cal/HWLA documentation provides support of their uninsured status on the service dates patient #1 (**Attachment B**), patient #2 (**Attachment C**), and patient #3 (**Attachment D**).

One patient presented a challenge in verifying the Medi-Cal eligibility due to the transition from male to female and the use of an alias.

The remaining patients identified were found to be incorrectly identified as Ryan White eligible. An important note: JWCH did not bill any other third party for the medical encounters billed to DHSP. The only payer source billed for these patient encounters was DHSP. Billing DHSP for insured patients was a patient eligibility error. Since discovering these errors, a two-step redundant patient eligibility process is now in place to avoid erroneous billing to DHSP in the future. The newly implemented eligibility process includes front office staff screening for patient insurance, printing eligibility determination, benefits counselors providing assistance to insurance enrollment (Covered California, Medi-Cal) and ADAP enrollment and a review by the clinic administrator. The second and redundant step includes a billing coordinator monitoring and confirmation prior to the billing of insured and uninsured patients to the correct payer source.

Based on the internal review five patients who were found to be substantiated as uninsured and therefore still eligible for Ryan White CARE Act services. The total amount billed for the five patients is \$5,464.95. The resulting balance owed to DHSP is \$12,214.05. JWCH will repay this amount.

- **FINDING:** Did not obtain approval from DHSP for their client fee schedule and did not assess client fees for 14 (48%) of 29 clients based on their ability to pay as required by the Additional Provisions of the County contract.

Response: JWCH submitted a request for approval for the sliding fee scale, yet approval was not granted. JWCH has re-submitted a request for approval. JWCH policy and investigation concludes that JWCH conducted assessments for client fees on all patients; however staff did not document the assessment for 14 patients. JWCH has since

followed up with refresher training for front office staff on conducting and documenting fee assessment.

#### **EXPENDITURES/COST ALLOCATION PLAN**

- **FINDING:** Billed DHSP \$2,807 in vehicle expenditures such as vehicle registration and insurance for vehicle that did not benefit the DHSP programs.

Response: The originally approved vehicle ceased operation due to need for repairs. JWCH did not properly inform DHSP of the change of vehicle to perform the same function. Despite service being provided according to the contract and appropriate billing occurred, JWCH admits County required documentation was not transmitted for the change in vehicle. Therefore, JWCH agrees to pay back this amount of \$2,807.

- **FINDING:** Did not provide document to support \$2,764 in allocation for laboratory, telephone, medical supplies, medical waste removal, and storage expenses.

Response:

- Storage Space for PH000829 Schedule 10: JWCH'S actual cost was \$80 for one month and has already given back the credit of \$345 to DHSP through the Cost Report. Please see attached supporting document with detailed DHSP Cost Report.
  - Stericycle for PH002338 Schedule 6: Based on the actual data, the amount of Stericycle expense was \$237. JWCH will pay back DHSP the difference of \$963. Please see attached Allocation Methodology and supporting documents.
  - Medical Supplies for PH-002338 Schedule 6: These supplies were paid and billed properly. Please see attached supporting documents. JWCH has also provided the documents via email to Ms. Iscah Wang.
  - Laboratory for PH002338 Schedule 6: JWCH agrees to pay back \$90.69 to DHSP.
  - Telephone & Utilities for PH002341 Schedule 3: JWCH agrees to pay back \$62.47 to DHSP.
- **FINDING:** Billed DHSP and received reimbursement for unpaid subcontractor expenses for a total of \$48,295.

Response: These services were paid and billed properly. The attached supporting documents have also been emailed to Ms. Iscah Wang.

#### **PAYROLL AND PERSONNEL**

- **FINDING:** Billed DHSP \$537.49 in unallowable payroll expenditures.

Response: JWCH agrees to pay back \$537.49 to DHSP. JWCH will ensure all payroll charges to DHSP are allowable for the ongoing contracts.

#### **COST REPORTS**

- FINDING: Reported \$364 of expenditures in Cost Report that was not supported.

Response: JWCH agrees to pay back the unsupported \$364 to DHSP.